

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company)	
)	
)	Docket No. 22-0063
Petition for the Establishment of Performance)	
Metrics Under Section 16-108.18(e) of the)	
Public Utilities Act.)	

CORRECTED DIRECT TESTIMONY

OF

JOHN HOWAT

ON BEHALF OF

COMMUNITY ORGANIZING AND FAMILY ISSUES

April 27, 2022

TABLE OF CONTENTS

Introduction.....	1
The Affordability Metric as Defined in Statute	5
Assessing the Current State of Affordability of Ameren’s Rates in Financially Struggling Communities	12
Assessing Ameren’s Proposed Affordability Metric	23
COFI’s Proposed Affordability Metric	28
Assessing the Point-Value of an Affordability Metric	36
Summary of Conclusions	40

Introduction

Q. PLEASE STATE YOUR NAME, JOB TITLE, EMPLOYER AND BUSINESS ADDRESS.

A. My name is John Howat. I am a Senior Policy Analyst at the National Consumer Law Center (“NCLC”), 7 Winthrop Square, Boston, Massachusetts 02110. The National Consumer Law Center is a non-profit law and policy advocacy organization using expertise in consumer law and energy policy to advance consumer justice, racial justice, and economic security for low-income families and individuals in the United States.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. Over the past 21 years at NCLC, I have managed a range of regulatory, legislative, and advocacy projects across the country in support of low-income consumers’ access to utility and energy-related services. I have been involved with the design and implementation of energy affordability and efficiency programs, regulatory consumer protections, transportation electrification, rate design, home energy improvement financing, issues related to metering and billing, credit scoring and reporting, energy burden and demographic analysis. In addition, I have presented at national conferences, including for the National Community Action Partnership, National Community Action Foundation, National Association of Regulatory Utility Commissions, and National Association of State Utility Consumer Advocates, National Energy Assistance Directors Association, National Energy and Utility Affordability Coalition, and the National Governors Association.

1 I am the co-author of Access to Utility Service, a law and policy manual published by
2 NCLC, and the Lawrence Berkeley National Laboratory reports, “Advancing Equity in Utility
3 Regulation,” “The Future of Transportation Electrification: Utility, Industry and Consumer
4 Perspectives, and “Recovery of Utility Fixed Costs: Utility, Consumer, Environmental and
5 Economist Perspectives.” I am the primary author of “Home Energy Costs: The New Threat to
6 Independent Living for the Nation’s Low-Income Elderly,” “Tracking the Home Energy Needs
7 of Low-Income Households through Trend Data on Arrearages and Disconnections,”
8 “Rethinking Prepaid Utility Service: Customers at Risk,” and “Public Service Commission
9 Consumer Protection Rules and Regulations: A Resource Guide.” I have been professionally
10 involved with energy program and policy issues since 1981.

11 Prior to joining the Advocacy Staff at National Consumer Law Center, I consulted with a
12 broad range of public and private entities on issues related to utility industry restructuring.
13 Previously, I worked as Research Director of the Massachusetts Joint Legislative Committee on
14 Energy, Economist with the Electric Power Division of the Massachusetts Department of Public
15 Utilities, and Director of the Association of Massachusetts Local Energy Officials. I have a
16 Master’s Degree from Tufts University’s Graduate Department of Urban and Environmental
17 Policy and a Bachelor of Arts Degree from The Evergreen State College.

18
19 Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE STATE PUBLIC UTILITIES
20 COMMISSIONS, INCLUDING THE ILLINOIS COMMERCE COMMISSION?

21 A. Yes. I have presented testimony before utility regulatory commissions in Alabama, Arizona,
22 California, Idaho, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Missouri, New Mexico,

1 Nevada, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia,
2 Washington State, and Wisconsin. A list of my Testimony and Comments filed before utility
3 regulatory commissions over the past 21 years is attached as COFI Exhibit 1.1.

4 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

5 A. I am testifying on behalf of Community Organizing and Family Issues (“COFI”).
6

7 Q. WHAT ARE THE PURPOSES OF YOUR TESTIMONY?

8 A. My testimony responds to Ameren Illinois Company’s (“Ameren” or “the Company”)
9 proposed Affordability performance-based ratemaking (“PBR”) metric, described in the Direct
10 testimony of Ms. Kristol Simms. I will first assess whether Ameren’s proposed affordability
11 metric, one of eight metrics proposed by Ameren, provides a basis for achieving the goals
12 described in Section 16-108.18(c) and 16-108.18(e)(A)(iv) of the Public Utilities Act (“the
13 Act”). In doing so, I first examine whether the Company’s proposed metric incorporates the very
14 specific criteria and factors the statutory language references for purposes of establishing an
15 Affordability metric.

16 Second, I assess the current state of affordability of Ameren rates, as well as how its
17 credit and collection policies impact disconnection rates and other affordability factors within the
18 Ameren service territory.

19 Third, I propose a new Affordability metric for Commission adoption that better
20 encapsulates the goals listed in Section 16-108.18(c) and 16-108.18(e)(A)(iv) than Ameren’s
21 proposal, and specifically addresses the statutorily directed “emphasis on keeping the bills of
22 lower-income households, households in equity investment eligible communities, and household

(sic) in environmental justice communities within a manageable portion of their income and adopting credit and collection policies that reduce disconnection for these households specifically and for customers overall to ensure equitable disconnections, late fees, or arrearages as a result of utility credit and collection practices, which may include consideration of impact by zip code.”¹ I also incorporate other criteria, such as those recommended in the Illinois Commerce Commission Staff report on the performance based ratemaking workshop process to develop a different metric that I believe better achieves the goals outlined in the aforementioned statute. In addition, I assess whether Ameren’s proposal to assign only 4 points out of a total of 40 proposed points to the Affordability metric is reasonable in terms of actually incentivizing Company behavior to achieve affordability goals.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. The General Assembly has made clear in several provisions in the Clean Energy Jobs Act (“CEJA”) that affordability for low-income customers and a reduction in disconnections through revisions in credit and collections policies is a critical component to establishing equitable utility service that truly benefits all customers. Ameren’s proposed affordability metric that tracks the number of customer touchpoints over a four-year period fails to achieve these clear goals outlined in the Act. In assessing the current affordability of Ameren’s rates and its current credit and collections practices, I conclude that certain policies, including its customer credit-risk-ranking policy and the Company’s acceleration of disconnections for customers deemed high-

¹ 220 ILCS 5/16-108.18(e)(A)(iv).

1 risk as compared to “acceptable” risk customers, lead to clear inequities in the rates of
2 disconnections. I propose a new Affordability metric for Commission adoption that better
3 encapsulates the goals listed in Section 16-108.18(c) and 16-108.18(e)(A)(iv) than Ameren’s
4 proposal, and specifically addresses the statutory direction to reduce disconnections for low-
5 income households and to ensure equity in credit and collection practices. I recommend that the
6 Commission direct the Company to develop and adopt an Affordability performance metric
7 based on a ten percent annual reduction over a four-year period in residential disconnections for
8 non-payment in the 20 zip codes in its service territory with the highest 2017 - 2019
9 disconnections ratios. Finally, I conclude that Ameren’s proposal to assign only 4 points out of a
10 total of 40 proposed points to the Affordability metric is insufficient to incentivize affordability
11 goals and recommend that the point value be doubled to 8 points.

12
The Affordability Metric as Defined in Statute

13
14
15 Q. WHAT GUIDANCE DO THE CEJA AMENDMENTS TO THE ILLINOIS PUBLIC
16 UTILITIES ACT (“THE ACT”) PROVIDE FOR AN ELECTRIC UTILITY CHOOSING TO
17 FILE A PBR PLAN AND PROPOSING AN AFFORDABILITY PERFORMANCE METRIC?

18 A. Under Section 16-108.18(d) of the Act, both Ameren and Commonwealth Edison
19 Company “may file a petition proposing tariffs implementing a 4-year Multi-Year Rate Plan as
20 provided in this Section no later than, January 20, 2023, for delivery service rates to be effective
21 for the billing periods January 1, 2024 through December 31, 2027.” Should Ameren choose to

1 file a multi-rate-year plan, the Commission shall issue an order approving or approving as
2 modified the utility's plan no later than December 20, 2023.²

3 The General Assembly requires the utility choosing a PBR framework to specifically
4 focus on the financial burdens financially struggling customers face. Section 16-108.18(c)
5 provides that the PBR framework should be designed, among other objectives, to:

- 6 ▪ ...(5) maintain the affordability of electric delivery services for
7 all customers, including low-income customers;
8
- 9 ▪ ...(8) address the particular burdens faced by consumers in
10 environmental justice and equity investment eligible communities,
11 including shareholder, consumer, and publicly funded bill payment
12 assistance and credit and collection policies, and ensure equitable
13 disconnections, late fees, or arrearages as a result of utility credit
14 and collection practices, which may include consideration of
15 impact by zip code.³
16

17 In addition, Section 16-108.18(e)(2)(A) provides six areas for which up to 8 metrics can
18 be proposed. One of the areas to be addressed through the PBR process is Affordability,
19 described as follows:

- 20 (iv) Achieve affordable customer delivery service costs, with particular
21 emphasis on keeping the bills of lower-income households, households in
22 equity investment eligible communities, and household in environmental
23 justice communities within a manageable portion of their income and
24 adopting credit and collection policies that reduce disconnections for these
25 households specifically and for customers overall to ensure equitable
26 disconnections, late fees, or arrearages as a result of utility credit and

² These same electric utilities (that serve more than 500,000 retail customers in the State) shall file with the Commission either a general rate case under Section 9-201 of this Act, or a Multi-Year Rate Plan no later than January 20, 2023. 220 ILCS 5/16-108.18(d)(9). An electric utility that initially elected to file a Multi-Year Rate Plan and thereafter that elects to transition to a general rate case may do so upon completion of the 4-year Multi-Year Rate Plan by filing a general rate case at the same time that the utility would have filed its subsequent Multi-Year Rate Plan, as specified in paragraph (8) of subsection 16-108.18 (d). An electric utility that initially elected to file a general rate case and thereafter that elects to transition to a Multi-Year Rate Plan may do so only at the 4-year filing intervals identified by paragraph (8) of subsection 16-108.18(d).

³ 220 ILCS 5/16-108.18(c)(5) and (8).

1 collection practices, which may include consideration of impact by zip
2 code.
3

4 Importantly, this category quite literally requires the utility to develop a metric that places
5 “particular emphasis on lower-income households...to achieve affordable delivery service
6 “within a manageable portion of their income...” and “reduce disconnections for these
7 households specifically and for customers overall to ensure equitable disconnections” and invites
8 the utility to incorporate zip- code-level credit and collections data in formulating that goal and
9 metric.

10 Q. HOW DOES THE ACT DEFINE “LOWER INCOME HOUSEHOLDS”,
11 “ENVIRONMENTAL JUSTICE COMMUNITIES” AND “EQUITY INVESTMENT
12 COMMUNITIES”, AS REFERENCED IN THE AFFORDABILITY METRIC STATUTORY
13 PROVISION (16-108.18(A)(iv)) HIGHLIGHTED ABOVE?

14 A. Section 16-108.18(b) of the Act defines these terms as follows:

- 15 • While there is no specific definition for “*lower-income*” households in the Act, there is a
16 definition for “economically disadvantaged communities,” which is defined as areas of
17 one or more census tracts where average household income does not exceed 80% of area
18 median income (AMI). This definition squares with the definition of “low-income”
19 customers provided in Section 8-103(B) of the Act, which describes electric utilities
20 obligations to provide ratepayer-funded, low-income energy efficiency programs, and
21 defines low-income households as at or below 80% AMI.⁴ Finally, new Sections 8-201.7
22 and 8-201.8 of the Act, which prohibit utilities from requiring deposits and late fees for
23 low-income households, employs the same definition: at or below 80% AMI.⁵
24

⁴ 220 ILCS 5/8-103B(c).

⁵ 220 ILCS 5/8-201.7, 8-201.8.

1 • “Environmental justice communities” means the definition of that term as used and as
2 may be updated in the long-term renewable resources procurement plan by the Illinois
3 Power Agency and its Program Administrator in the Illinois Solar for All Program.⁶
4

5 • “Equity investment eligible community” means the geographic areas throughout Illinois
6 which would most benefit from equitable investments by the State designed to combat
7 discrimination. Specifically, the equity investment eligible communities shall be defined
8 as the following areas:

9 (1) R3 Areas as established pursuant to Section 10-40 of the Cannabis Regulation
10 and Tax Act,⁷ where residents have historically been excluded from economic
11 opportunities, including opportunities in the energy sector; and
12

13 (2) Environmental justice communities, as defined by the Illinois Power Agency
14 pursuant to the Illinois Power Agency Act⁸, where residents have historically been
15 subject to disproportionate burdens of pollution, including pollution from the
16 energy sector.
17

⁶ The Illinois Power Agency and Elevate Energy (Elevate) , implementer of Illinois’ Solar for All program, have identified environmental justice communities in Illinois based on a methodological framework established in the Long-Term Renewable Resources Procurement Plan. These communities were designated as such through a calculation utilizing the U.S. EPA tool EJ Screen and a demonstrated higher risk of exposure to pollution based on environmental and socioeconomic factors. Specific questions can be directed to info@Illinoisfa.com.

In addition to communities which were identified as environmental justice communities using the framework in the Long-Term Renewable Resources Procurement Plan, groups or individuals may also submit a proposal to request that their community be designated as an environmental justice community. *See* <https://www.illinoisfa.com/environmental-justice-communities/>

⁷ Under Section 10-40 of the Cannabis Regulation and Tax Act, within 180 days after the effective date of that Act, “the Illinois Criminal Justice Information Authority shall identify as eligible, areas in this State by way of historically recognized geographic boundaries, to be designated by the Restore, Reinvest, and Renew Program Board as R3 Areas and therefore eligible to apply for R3 funding. Local groups within R3 Areas will be eligible to apply for State funding through the Restore, Reinvest, and Renew Program Board. Qualifications for designation as an R3 Area are as follows:

(1) Based on an analysis of data, communities in this State that are high need, underserved, disproportionately impacted by historical economic disinvestment, and ravaged by violence as indicated by the highest rates of gun injury, unemployment, child poverty rates, and commitments to and returns from the Illinois Department of Corrections.

(2) The Authority shall send to the Legislative Audit Commission and make publicly available its analysis and identification of eligible R3 Areas and shall recalculate the eligibility data every 4 years. On an annual basis, the Authority shall analyze data and indicate if data covering any R3 Area or portion of an Area has, for 4 consecutive years, substantially deviated from the average of statewide data on which the original calculation was made to determine the Areas, including disinvestment, violence, gun injury, unemployment, child poverty rates, or commitments to or returns from the Illinois Department of Corrections.” 415 ILCS 705/10-40(c).

⁸ *See* footnote 5.

1

2 Q. HOW WILL THE METRICS OPERATE WITHIN THE CONTEXT OF A MULTI-
3 YEAR PBR PLAN?

4 A. While I am not an attorney, a plain reading of the new CEJA PBR provisions specifically
5 requires the Commission “to approve metrics designed to achieve incremental improvements
6 over baseline performance values and targets, over a performance period of up to 10 years, and
7 no less than 4 years”⁹ for a utility choosing to file a multi-year PBR plan. The statute also
8 provides that the total for all metrics shall be equal to 40 basis points, although the Commission
9 “may adjust the basis points upward or downward by up to 20 basis points for any given Multi-
10 Year Rate Plan, as appropriate.”¹⁰

11 In addition, the statute provides that the Commission “shall approve performance metrics
12 that are reasonably within control of the utility to achieve,” and that the metrics “should measure
13 outcomes and actual, rather than projected, results where possible.”¹¹ The statute further provides
14 that “(p)erformance metrics shall include one year of tracking data collected in a consistent
15 manner, verifiable by an independent evaluator in order to establish a baseline and measure
16 outcomes and actual results against projections where possible.”¹²

17 Q. ARE THERE OTHER PROVISIONS IN THE PUBLIC UTILITIES ACT THAT YOU
18 HAVE INCORPORATED INTO YOUR ANALYSIS?

⁹ 220 ILCS 5/16-108.18(e)(2).

¹⁰ 220 ILCS 5/16-108.18(e)(2)(B).

¹¹ 220 ILCS 5/16-108.18(e)(2)(D).

¹² 220 ILCS 5/16-108.18(e)(2)(E).

1 A. Yes. I am advised by counsel that the Illinois General Assembly has recognized in the
2 Energy Assistance Act (EAA) that society benefits from affordable utilities with minimal
3 disconnections and arrearages, stating that “the health, welfare, and prosperity of the people of
4 the State of Illinois require that all citizens receive essential levels of heat and electric service
5 regardless of economic circumstance.” 305 ILCS 20/2(a)(1). The EAA also provides that
6 “society benefits if essential utility services are affordable and arrearages and disconnections are
7 minimized for those most in need.” *Id.* at (a)(5).

8 Q. WHAT CRITERIA DID AMEREN STATE IT APPLIED IN PROPOSING ITS
9 PERFORMANCE METRICS?

10 A. Ameren states that its metrics were developed with consideration of the Section 16-
11 108.18 criteria and guidance, as well as what Ameren witness Simms calls the “SMART”
12 principles—Specific, Measurable, Achievable, Realistic, and Timely—to ensure that the metrics
13 are practical, reasonable, and appropriate.¹³ The Company also states it considered Staff’s and
14 stakeholder input, as presented during the Performance and Tracking Metric Workshops
15 facilitated by Staff in October 2021.

16
17 Q. WHAT FRAMEWORK ARE YOU APPLYING TO YOUR ANALYSIS OF THE
18 AMEREN AFFORDABILITY PERFORMANCE METRIC?

19 A. My analysis focuses on several measures of determining whether the proposed metric will
20 achieve the Affordability goals as articulated by the General Assembly, which are:

- 21 1. Adherence to the language of the statute (220 ILCS 5/16-108.18)

¹³ Ameren Ex. 2.1

1 The statute has specific language about the goals and purposes of the metrics or
2 Performance Incentive Mechanisms (“PIMs”). Each proposal should be measured
3 against the statutory language.
4

5 2. Outcome-oriented, not process or spending-oriented

6 Metrics should measure the *effect* on consumers and on rates. Metrics that are defined
7 by a particular investment (e.g. certain types of plant or equipment) are not
8 performance-based but spending-based and should be rejected. Likewise, PIMs that
9 focus on and measure the process, rather than the outcome, miss the point of the
10 metric itself.
11

12 3. Responsive to workshop concerns and goals / community input

13 Although it is my understanding that the workshop process was extremely limited
14 time-wise due to a statutory deadline, workshop recommendations, along with the
15 recommendations of Staff, outlined in pages 31-34 of Staff’s report on the workshop
16 process, should be considered throughout these proceedings.¹⁴
17

18 4. Cost/benefit

19 The PIMs should result in a net benefit to consumers and the society, in the context of
20 each metric, the overall statutory goals, and electric service. CEJA explicitly states
21 that performance metrics “must always take into account the affordability of customer
22 rates and bills for all customers, including low-income customers.” 220 ILCS 5/16-
23 108.18(a)(7).
24

25 5. Status quo v. improvement or stretch goal

26 Consistent with the statutory language¹⁵ that requires improvements over baselines,
27 performance incentive mechanisms should only apply if they significantly improve
28 utility performance rather than maintain the status quo. Insignificant or minor
29 improvements in outcomes, or outcomes incentivized elsewhere (no double-dipping
30 of incentives), should not result in an incentive payment. The proposed metrics
31 should require utilities to achieve actual objectives, rather than maintaining the status
32 quo.
33

34 Importantly, the Staff report emphasizes that “Performance metrics should incentivize
35 utilities to achieve goals that are not otherwise incented elsewhere... [and not reward
36 utilities] for achieving what is already required and expected from Illinois public

¹⁴ Staff Report available at <https://www.icc.illinois.gov/informal-processes/Electric-Utility-Performance-and-Tracking-Metrics>

¹⁵ 220 ILCS 5/16-108.18(e)(2).

1 utilities, but award[] utilities for achieving outcomes beyond the expected.” Staff
2 Report at 32.
3

4 6. Transparency and Clarity

5 PIMs and reporting metrics should increase transparency and the availability and
6 reporting of utility and energy operating and cost information. Further, metrics and
7 outcomes should be available to the public in an understandable format, clearly
8 defined, measurable, and unambiguous. Staff Report at 31.
9

10 **Assessing the Current State of Affordability of Ameren’s Rates in Financially Struggling**
11 **Communities**

12
13 Q. HOW DID YOU BEGIN YOUR ASSESSMENT OF THE AFFORDABILITY OF

14 AMEREN’S RATES FOR PURPOSES OF PROPOSING AN AFFORDABILITY METRIC?

15 A. In order to understand the current status of Ameren affordability of rates, I reviewed zip
16 code level credit and collections data provided by Ameren in this proceeding and publicly filed
17 with the commission, consistent with the language in Section 16-108.18(e)(A)(iv) of the Act that
18 specifically references utilities developing an Affordability metric “which may include
19 consideration of impact by zip code.” I cannot overstate the importance of utilizing zip code-level
20 data to assess the affordability of utility rates and better understand both where energy burdens
21 are highest within a utility’s service territory and whether a utility’s existing rates and credit and
22 collections practices disproportionately impact certain communities.

23 The analysis entailed estimating comparative “disconnection rates” by summing identified
24 low-income and non-low-income residential customer disconnections for non-payment over the
25 three-year period directly preceding the COVID-19 pandemic (2017 - 2019),¹⁶ and dividing those

¹⁶ Ameren Response to COFI Data Request 2.04.

sums by the total number of low-income and non-low-income residential customers as identified by the Company in its Compliance Filing in ICC Docket No. 20-0309.¹⁷

Q. WHAT CONCLUSIONS CAN YOU DRAW FROM YOUR ANALYSIS?

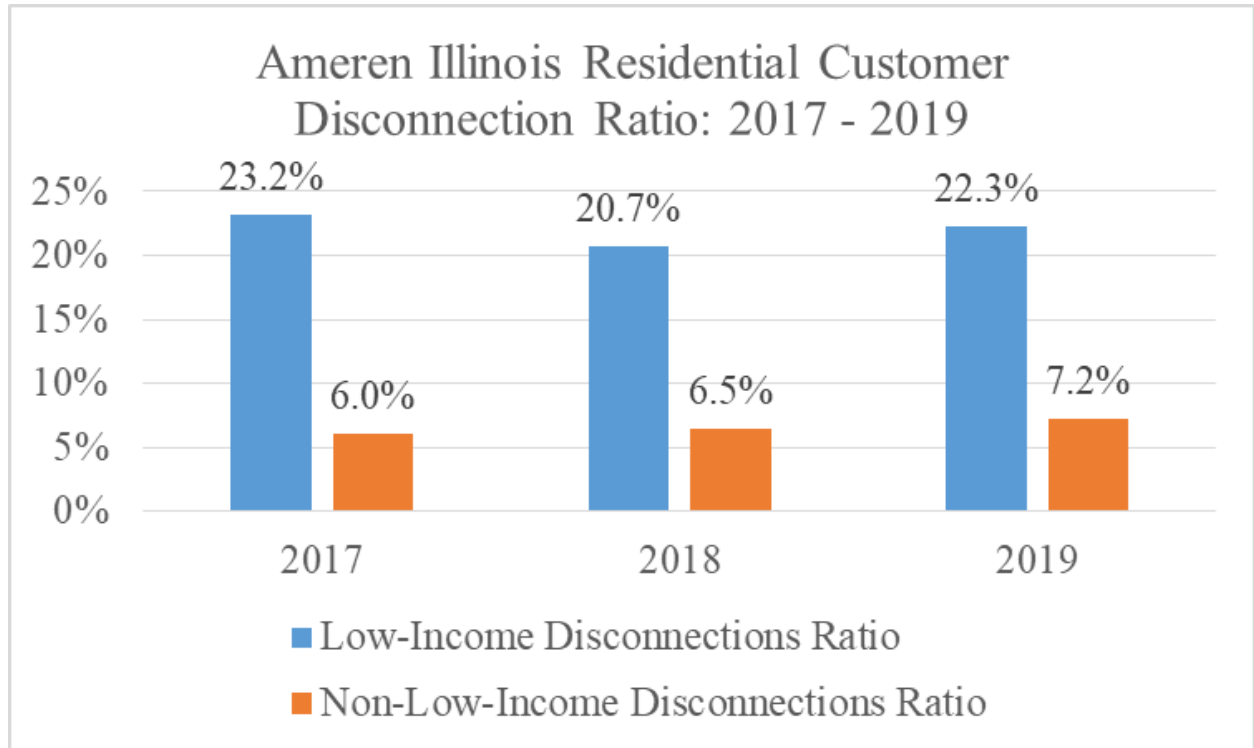
A. Based on the calculations as described directly above, I found that in each year between 2017 and 2019 Ameren's identified low-income residential customers lost access to critical home energy service at a rate three-to-four times higher than that of customers identified as non-low-income. The results of the analysis are reflected in the tables below.

Low-Income Residential Customers	Non-Low-Income Residential Customers
62,827	1,105,767

Low-Income Customer Disconnections	Non-Low-Income Customer Disconnections	Low-Income Disconnections Ratio	Non-Low-Income Disconnections Ratio
14,589	66,342	23.2%	6.0%
13,026	71,527	20.7%	6.5%
14,026	79,801	22.3%	7.2%

¹⁷ ICC Docket No. 20-0309, ICC Summary Report Prepared by Ameren Illinois, August 10, 2020, p. 1.

1 These results are also illustrated in the chart below.



2

3

4 Examination of Ameren’s disconnections data also revealed that the disconnection ratio (sum of
5 disconnections over three years divided by total residential customers) in the “top 20” zip codes
6 was alarmingly high, ranging from 54 percent to 86 percent. Results of this examination are
7 reflected in the table below.

8

9

10

11

12

1

Zip Code	2017	2018	2019	2017-2019	Total Customers - June 2020 Compliance Filing	Disconnection Ratio
62078	14	16	19	49	57	86%
62998	17	14	24	55	72	76%
62059	60	62	74	196	272	72%
62204	434	544	526	1504	2159	70%
62953	38	39	35	112	161	70%
62206	903	1270	1425	3598	5319	68%
62207	518	772	777	2067	3071	67%
62940	15	21	21	57	88	65%
62201	466	508	456	1430	2241	64%
61605	1240	1029	1383	3652	5776	63%
62963	44	31	41	116	189	61%
62205	495	685	750	1930	3196	60%
61866	42	37	45	124	208	60%
62203	380	563	598	1541	2602	59%
61416	17	20	27	64	109	59%
62357	9	8	21	38	67	57%
62861	16	12	12	40	71	56%
62090	78	71	99	248	448	55%
62361	17	12	8	37	67	55%
62355	30	24	26	80	148	54%

1 It should be noted that in the table above based on the striking disparities between low-income
2 and non-low-income frequency of service loss, and the extreme levels of service disconnection
3 in Ameren's service territory zip codes with the highest disconnection ratios, I conclude that the
4 Company be directed by the Commission in this proceeding to develop and implement a
5 disconnections-based performance incentive metric entailing reduction in disconnections as
6 described further below. It should be further noted that in the table above, eight of the 20 zip
7 codes cited fall within Environmental Justice Communities and nine fall within Equity
8 Investment Communities.¹⁸

9 Q. HOW, IF AT ALL, DO THESE FINDINGS SUPPORT YOUR PROPOSED
10 AFFORDABILITY METRIC?

11 A. The findings regarding residential customer service disconnections, particularly among
12 low-income customers, point to the need for Ameren to specifically revisit its credit and
13 collections practices and target efforts to minimize these disconnections.

14 In discovery, the Company stated that it does not, as a usual course of business, track the
15 payment risk ranking of its customers and disconnection rates for overlap within zip codes.¹⁹ But
16 this is exactly what the Company needs to be doing to improve affordability for those customers
17 within its service territory who struggle to afford essential utility services, and decrease
18 disconnection rates for these customers.

¹⁸ See <https://elevate.maps.arcgis.com/apps/webappviewer/index.html?id=cfd020c99ed844668450c6b77eacb411>
and <https://r3.illinois.gov/eligibility/>

¹⁹ Ameren Response to COFI Data Request 2.09.

1 Q. DID THE COMPANY CONSIDER EXAMINING ZIP-CODE-LEVEL CREDIT AND
2 COLLECTIONS DATA, ENVIRONMENTAL JUSTICE COMMUNITY AND EQUITY
3 INVESTMENT ELIGIBLE COMMUNITY DATA IN DEVELOPING ITS METRIC?

4 A. No, it did not. In response to AG Data Request 1.11(b), the Company stated it did not, and
5 that its intent was “to use outreach as an opportunity to serve all residential customers who may
6 need resources to manage their energy costs, regardless of where the customer lives.”

7 Q. DO YOU AGREE WITH THAT APPROACH?

8 A. No. As discussed further below, I am troubled by the fact that the Company seems to have
9 rejected the need, as referenced in the statute, to focus its Affordability metric proposal on lower-
10 income communities and places where zip code level data reveals high rates of disconnection and,
11 hence, unaffordability.

12 Q. IN ASSESSING THE COMPANY’S AFFORDABILITY METRIC THROUGH
13 DISCOVERY RESPONSES AND DISCONNECTION DATA, DID YOU COME ACROSS
14 OTHER FACTORS THAT IN YOUR VIEW IMPACT WHETHER LOWER INCOME
15 CUSTOMERS REMAIN CONNECTED TO ESSENTIAL UTILITY SERVICE?

16 A. Yes, I did. In responses to discovery in this case, Ameren describes its use of a process of
17 risk-ranking of its residential customers for purposes of establishing the timing of certain
18 collection activities, including disconnections, for customers with arrearages. These responses
19 indicate that Ameren relies on the services of a third-party vendor, TSI Inc., that utilizes an
20 algorithm to create a risk-ranking for every one of its residential customers on a monthly basis.

21 The Company states:

Ameren Illinois understands the vendor (TSI) employs a proprietary process that includes assignments of an internal credit rating to each analyzed account, which then Ameren considers when determining if collection activity should occur. An acceptable internal credit rating allows the balance to carry over to the next bill until a poor rating is received, at which time the customer proceeds through the collection process when the arrears reach the balance threshold.²⁰

This response suggests that Ameren residential customers proceed through the Company's disconnect practice on two separate tracks: one for customers whose credit scoring, based on TSI's less-than-transparent algorithm, are deemed "acceptable" credit risks, and a quicker path toward disconnection for those customers whose credit ranking is considered "poor" or not "acceptable."²¹

Q. DOES AMEREN EXPLAIN HOW TSI, THE THIRD-PARTY CONTRACTOR, ASSESSES A CUSTOMER'S RISK OF PAYMENT IN ORDER "TO DETERMINE WHAT ACCOUNTS SHOULD RECEIVE COLLECTION TREATMENT"?

A. Partially, although it appears that not even the Company may know exactly how TSI scores an individual customer's credit rating given its proprietary status and the fact that no information is provided as to how each factor that enters into TSI's calculation is weighted.

In Ameren's response to COFI Data Request 2.08, the Company further explained:

Ameren Illinois provides the following understanding of how TSI uses the six pieces of customer account data to assign a numeric score to each account: Number of occurrences past due, previous non-pay disconnections, age of arrears (30, 60, 90, 120+), past due amount, length of time at the account, and months since last payment. Ameren Illinois understands the vendor employs a proprietary process that includes assignments of an internal credit rating to each analyzed account, which then Ameren Illinois considers when determining if collection activity should occur. An acceptable internal credit rating allows the balance to

²⁰ Ameren Response to COFI Data Request 2.08(a).

²¹ *Id.*

1 carry over to the next bill until a poor rating is received, at which time the
2 customer proceeds through the collection process when the arrears reach the
3 balance threshold.²²
4

5 Q. DO YOU HAVE AN OPINION AS TO WHETHER THIS CUSTOMER RISK-
6 RANKING METHODOLOGY IMPACTS THE AFFORDABILITY OF RATES FOR
7 AMEREN'S FINANCIALLY STRUGGLING CUSTOMERS?

8 A. Yes, I do. First, I observe that one of the factors TSI incorporates into its risk-ranking
9 algorithm is "length of time at the account." This factor can't help but negatively impact renters
10 in terms of their credit risk-ranking, as renters tend to move more frequently than homeowners,
11 and low-income customers are more likely to be renters than homeowners.

12 Second, as detailed In response to COFI DR 2.08, Ameren makes clear that customers with
13 a high risk-ranking move through the disconnection process at a faster rate than customers with
14 what Ameren describes as "acceptable" risk-rankings. A low-risk customer (also termed as a
15 customer with an "acceptable" ranking²³) may be provided months before a disconnection notice
16 is sent as a result of nonpayment. ("If a customer receives an acceptable rating, the unpaid balance
17 is simply carried over into the customer's next bill until the customer receives a poor rating, at
18 which time the account is processed within Ameren Illinois' standard collection routine."²⁴)
19 Customers with high-risk rankings however, may receive a disconnection notice within six (6) to

²² Ameren Response to COFI Data Request 2.08(a).

²³ Ameren Response to COFI Data Request 2.08(a).

²⁴ *Id.*

1 eight (8) days after a bill payment was due and experience disconnection within 16 to 18 days
2 after a bill is considered overdue.²⁵ The Company states:

3 All customers are reviewed three (3) business days after the bill due date for
4 potential late fee assessment. ...Three (3) to five (5) business days later,
5 customers with a higher internal risk rating are mailed a disconnection notice.
6 ...Five (5) business days later and with no action taken to remedy the past due
7 bill, Ameren Illinois may disconnect service.²⁶

8
9 The Company also states in response to COFI Data Request 2.08(c):

10
11 The same past due threshold is applied to all customers; however, if the internal
12 credit rating does not pose a risk, a disconnection notice is not mailed. Once the
13 past due threshold has been met and the internal credit rating has been
14 determined, the customer will proceed down the collections path as described in
15 COFI 2.08(a).
16

17 Another concern highlighted in these Company discovery responses is that customers with
18 a low risk ranking (that is, “if the internal credit rating does not pose a risk”) are not mailed
19 disconnection notices. That means, they are not experiencing one of the credit and collection
20 factors taken into account by TSI – whether a customer has received a disconnection notice —
21 when risk-ranking customers. Likewise, since these acceptable-risk customers are not considered
22 accounts for which the Company needs initiate collection treatment, they similarly are not being
23 disconnected as often as customers with low risk-rankings.

24 Of course, given this disparate treatment of lower- and higher risk-ranked customers in
25 terms of the pace and frequency of the application of the collection cycle, and the factors that TSI
26 considers in assessing someone’s credit risk, one can conclude that a customer who is considered

²⁵ Under ICC rules, the utility shall not disconnect service until at least 10 days after the sending or delivery of the notice to the customer. 83 Ill.Admin.Code Part 280.130(g)(2).

²⁶ *Id.*

1 a higher-risk-ranked customer will inevitably remain in that category if collection activity is
2 applied on an accelerated basis as compared to other lower-risk-ranked customers and utility bills
3 remain unaffordable. The PBR statute’s direction to focus on “adopting credit and collection
4 policies that reduce disconnections for these (low-income) households specifically and for
5 customers overall to ensure equitable disconnections”²⁷ suggests this two-tiered approach to
6 initiating the disconnection cycle – one for customers whom Ameren has labeled as having
7 “acceptable” credit and another for those labeled as having unacceptable credit – is hardly
8 equitable.

9 It is my understanding too, upon consultation with counsel, that LIHEAP vendor payments
10 take, on average, 30 days to process in the State of Illinois. If a customer with a high-risk credit
11 ranking is disconnected in less than 30 days, which Ameren’s credit and collections processes
12 appear to permit, then that customer, too, will not only experience the stress and public health
13 threat that disconnection from essential electric service brings, but also the incurrence of
14 reconnection fees²⁸ and a demand for full payment of the arrearage prior to reconnection of utility
15 service.

16 Ameren’s Affordability metric testimony emphasizes the importance of connecting people
17 with energy assistance dollars in support of its “touchpoints” metric.²⁹ But if a customer isn’t
18 permitted the time needed to access the energy assistance that will help address an arrearage and

²⁷ 220 ILCS 5/16-108.18(e)(2)(A)(iv).

²⁸ Reconnection fees are \$15 during regular working hours and \$50 for reconnections occurring outside regular working hours. *See* meren.com/-/media/rates/files/illinois/aie139otmfc.ashx#:~:text=terms%20and%20conditions%20pertaining%20to,for%20such%20connection%20or%20reconnection.

²⁹ Ameren Ex. 2.0, pp. 20-21.

1 keep the customer connected, the value of that extra outreach is diminished, and the customer's
2 arrearage only grows.

3 Q. WHAT OTHER AMEREN CREDIT AND COLLECTION POLICIES THAT AMEREN
4 CURRENTLY APPLIES NEGATIVELY IMPACT AFFORDABILITY FOR THE
5 COMPANY'S FINANCIALLY STRUGGLING CUSTOMERS?

6 A. Currently, an Ameren customer who receives both electric and gas utility service from the
7 Company receives a consolidated bill. If a customer does not pay the bill on time, has an arrearage
8 and falls into the disconnection cycle, the customer is disconnected from *both* electric and gas
9 service. That means if a gas bill is unaffordable to an Ameren customer, but the customer can
10 afford to pay the electric bill, the customer still stands to lose their electric service. In this regard,
11 a customer's ability to remain connected to essential electric service is compromised. Likewise, if
12 a customer falls behind on their electric bill during the summertime, that customer stands to lose
13 *both* their electric and gas services. I am advised by counsel, too, that this practice also violates a
14 Commission rule, Part 280.130(c)(3), which prohibits a utility from disconnecting a customer from
15 another type of service due to unpaid charges for a different utility service.³⁰

16 The Company should immediately remedy this rule violation and ensure customers are not
17 losing access to both electric and gas service simply because one or the other is unaffordable.

³⁰ Part 280.130(c)(3) Non-deniable Charges: The following shall not constitute valid reasons for disconnection of regulated utility services:

...3) Charges for another type (gas, electric, water or sewer, unless water and sewer utility service are provided by the same utility) of utility service.

Assessing Ameren’s Proposed Affordability Metric

Q. WHAT SPECIFIC AFFORDABILITY METRIC DOES THE COMPANY PROPOSE
WITHIN THE CONTEXT OF SECTION 16-108.18(e)(A)(iv)?

A. Ameren witness Simms’s proposed Affordability PIM is “Increase supplemental
proactive outreach to customers at risk of disconnection.”³¹ Ms. Simms states that under this
metric “the Company will help customers achieve more affordable delivery service costs by
proactively communicating with customers and equipping them with tools and programs that
may aid them in managing their monthly electric delivery service bill and avoiding the
disconnection process.”³² Ms. Simms further explains that the PIM measures the outcome of an
increased focus by Ameren on proactive communications earlier, more often, and through varied
means with residential customers who may be at risk of disconnection, and before disconnection
occurs. The metric challenges Ameren Illinois to increase its annual average supplemental
proactive outreach with residential customers who are ‘at risk’ of disconnection, defined as
customers whose accounts are 30 days or greater past due or who are on a deferred payment
arrangement (DPA) or medical payment arrangement (MPA).³³

Q. HOW DOES AMEREN DEFINE “SUPPLEMENTAL PROACTIVE OUTREACH TO
CUSTOMERS”?

³¹ Ameren Ex. 2.0 at 20.

³² *Id.*

³³ *Id.*

1 A. Ameren defines a supplemental outreach or “touchpoint” as a customer communication that is
2 initiated by the Company and that is not required by the Commission’s Part 280 rules.³⁴ Ms.
3 Simms states that supplemental, non-mandated communications have historically proven
4 effective in helping customers make more informed decisions about managing their energy costs
5 during the winter moratorium. Ms. Simms further states that potential new touchpoints include
6 communications regarding awareness of energy assistance programs, targeted community
7 outreach events, alerts related to disconnections and payment arrangements, “and other payment
8 related reminders.”³⁵ It is the Company’s view that these increased communications to at-risk
9 customers, “which Ameren can control through continuous, focused, and proactive effort, could
10 reduce the incidence of annual disconnections.”³⁶

11
12 Q. HOW WILL THE TOUCHPOINT METRIC BE MEASURED?

13 A. According to Ms. Simms’s testimony, the annual performance goal seeks to increase the
14 yearly average touchpoints per at risk customer by 0.03 touchpoints per at-risk customer per
15 year. The overall performance goal over the four-year period is to increase these touchpoints to
16 an average of 0.91 touchpoints per at risk customer by the end of year four, 2027.³⁷

Performance Year 1 (2024) – 0.82 Yearly Average Touchpoints per at risk customer Performance Year 2 (2025) – 0.85 Yearly Average Touchpoints per at risk customer Performance Year 3 (2026) – 0.88 Yearly Average Touchpoints per at risk customer Performance Year 4 (2027) – 0.91 Yearly Average Touchpoints per at risk customer
--

³⁴ 83 Ill.Admin.Code Part 280.

³⁵ Ameren Ex. 2.0 at 21.

³⁶ *Id.*

³⁷ *Id.*

1
2 Q. WHAT BASELINE DOES AMEREN PROPOSE BE INCORPORATED IN ITS
3 METRIC?

4 A. Ameren's proposed Baseline is Ameren Illinois' historical average annual touchpoints
5 per customer, per month, for the three-year period 2017-2019 of 0.79. The baseline is calculated
6 as: Monthly Supplemental Proactive Outreach Average = total Supplemental Proactive Outreach
7 for the month / At Risk Customers at month-end. The Yearly Average of Monthly Supplemental
8 Proactive Outreach Average = Sum of the Twelve Monthly Supplemental Proactive Outreach
9 Averages / 12 months Baseline = 2017-2019* Yearly Average of Monthly Supplemental
10 Proactive Outreach Average / 3.³⁸

11 Ameren excludes 2020 and 2021 from the baseline "given the extraordinary
12 circumstances of the COVID-19 pandemic during those years and the voluntary, stipulated, and
13 Commission-directed customer outreach measures that Ameren Illinois undertook related to the
14 pandemic."³⁹ Baseline supplemental touchpoints, according to Ameren, may include proactive,
15 Ameren Illinois-initiated winter moratorium emails, reminder notices, winter moratorium
16 automated calls, winter moratorium manual outbound calls, alerts regarding disconnection
17 notices issued, and alerts regarding insufficient payment, according to the Company.⁴⁰

³⁸ Ameren Exhibit 2.1 Appendix A.4, Affordable Customer Delivery Service Costs, Page 3 of 6.

³⁹ *Id.* at 2.

⁴⁰ *Id.* at 3.

1 Q. DOES AMEREN’S PROPOSED AFFORDABILITY METRIC FOLLOW THE
2 DIRECTIVES OF THE STATUTE IN TERMS OF ACHIEVING THE GOALS OUTLINED IN
3 SECTION 16-108.18(e)(A)(iv)?

4 A. No, it does not, for several reasons. First, the Company has not established that the
5 proposed touchpoint effort will specifically target “lower-income households, households in
6 equity investment eligible communities, and households in environmental justice communities”
7 as the statute requires. Second, the metric measures the number of “touchpoints” – not whether
8 it actually “(a)chieve(s) affordable customer delivery service costs, with particular emphasis on
9 keeping the bills of lower-income households, households in equity investment eligible
10 communities, and household in environmental justice communities within a manageable portion
11 of their income and adopting credit and collection policies that reduce disconnections for these
12 households specifically and for customers overall to ensure equitable disconnections, late fees, or
13 arrearages as a result of utility credit and collection practices, which may include consideration
14 of impact by zip code” as the statute requires. In this regard, the metric is process-oriented (a
15 measurement of touchpoints) – rather than *results*-oriented, such as a measurement of reductions
16 in disconnections, and is therefore flawed. This process-oriented proposal is inconsistent with the
17 Act’s directive that the metrics “should measure outcomes and actual, rather than projected,
18 results where possible.”⁴¹

19 The Company itself admits its uncertainty as to whether the increased touchpoints effort
20 will actually lead to a reduction in disconnections:

⁴¹ 220 ILCS 5/16-108.18(e)(2)(D).

1 While the customer decides his or her response to Ameren Illinois' outreach
2 efforts— that is, the customer, ultimately, must act to help himself or herself—
3 Ameren Illinois reasonably expects that increased communications with at risk
4 residential customers *could lead to* reduction of the total incidence of annual
5 disconnections.⁴² (Emphasis added.)
6

7 In response to AG Data Request 1.12, Ameren further admits "...whether a customer
8 actually avoids disconnection ultimately depends on customer action, and therefore whether
9 annual disconnections are actually reduced is beyond Ameren Illinois' control." While it is true
10 that more-than-the-usual-number of customer contacts may assist more people in obtaining
11 energy assistance, assuming these customers qualify for either the Low Income Home Energy
12 Assistance Program ("LIHEAP") or Illinois' Percentage of Income Payment Plan ("PIPP")
13 program, or Ameren-sponsored assistance programs, tallying the number of touchpoints will not
14 provide evidence that fewer disconnections have occurred and that affordability among
15 financially struggling customer populations has actually improved. Ameren's proposal to
16 increase customer outreach prior to disconnection is an activity or process that may assist in
17 connecting people to needed energy assistance should people take the necessary step of applying
18 for LIHEAP/PIPP. But it is not a reasonable metric for rewarding or penalizing Company
19 behavior or determining whether Ameren electric service affordability has actually improved for
20 low-income customers.

21 Moreover, it runs contrary to the statutory directive that the Commission "shall approve
22 performance metrics that are reasonably within control of the utility to achieve."⁴³ Ameren itself
23 admits, as noted above, that touchpoints do not, in and of themselves, improve affordability, and

⁴² Ameren Exhibit 2.1 Appendix A.4 Affordable Customer Delivery Service Costs, pp. 1-2 of 6.

⁴³ 220 ILCS 5/16-108.5(e)(2)(D).

1 that the actions that customers take actually control whether energy assistance dollars flow to
2 customers and affordability improves.

3 As noted above, a reasonable Affordability metric should measure tangible *results or*
4 *outcomes*. Given the clear language of the statute, the metric should be designed to verifiably
5 “(a)chieve affordable customer delivery service costs, with particular emphasis on keeping the
6 bills of lower-income households, households in equity investment eligible communities, and
7 household in environmental justice communities within a manageable portion of their income
8 and adopting credit and collection policies that reduce disconnections for these households
9 specifically and for customers overall to ensure equitable disconnections, late fees, or arrearages
10 as a result of utility credit and collection practices, which may include consideration of impact by
11 zip code.”⁴⁴

12 **COFI’s Proposed Affordability Metric**
13

14 Q. BASED ON YOUR REVIEW OF BOTH AMEREN CREDIT AND COLLECTIONS
15 DATA, AND YOUR ASSESSMENT OF AMEREN’S PROPOSED METRIC, DO YOU HAVE
16 A DIFFERENT PROPOSAL FOR AN AFFORDABILITY METRIC(S) TO BE
17 INCORPORATED WITHIN AMEREN’S FUTURE PBR RATE FILING?

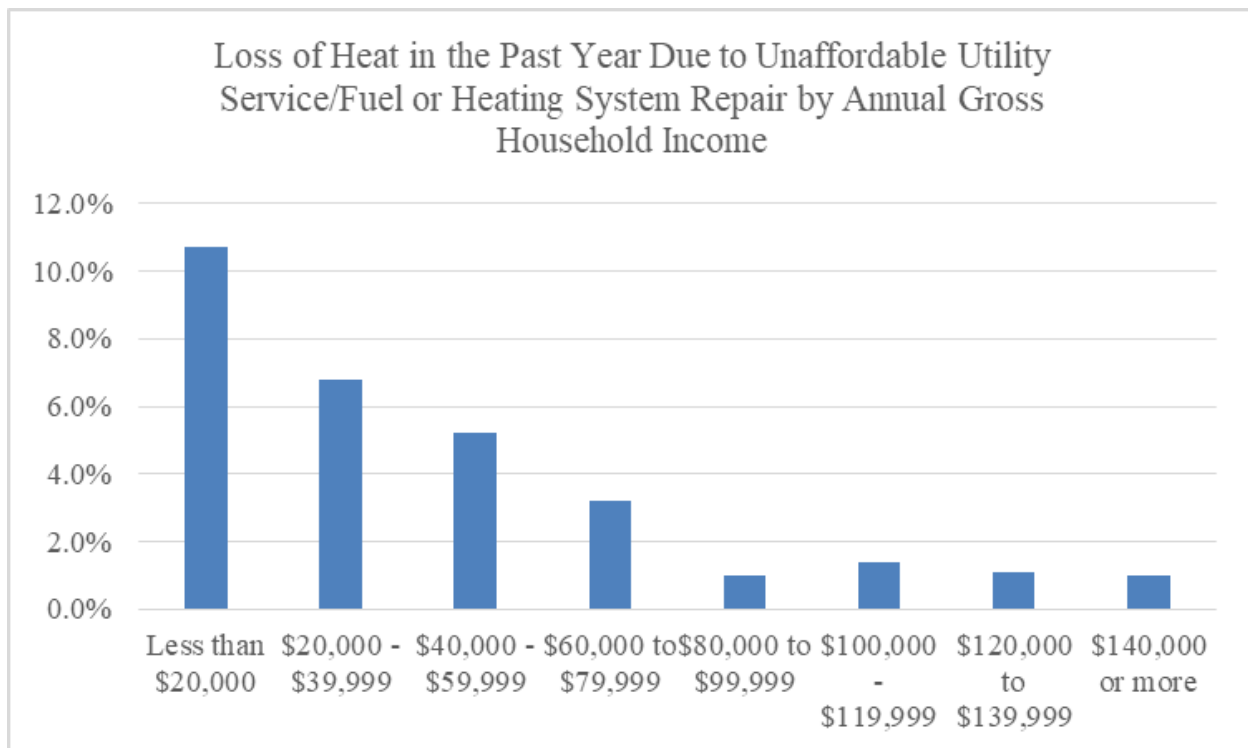
18 A. Yes, I do. Based on the foregoing, I recommend that the Commission direct the Company
19 to develop and adopt an Affordability performance metric based on a 10% annual reduction over
20 a four-year period in residential disconnections for non-payment in the 20 zip codes in its service

⁴⁴ 220 ILCS 5/16-108.18(e)(A)(iv).

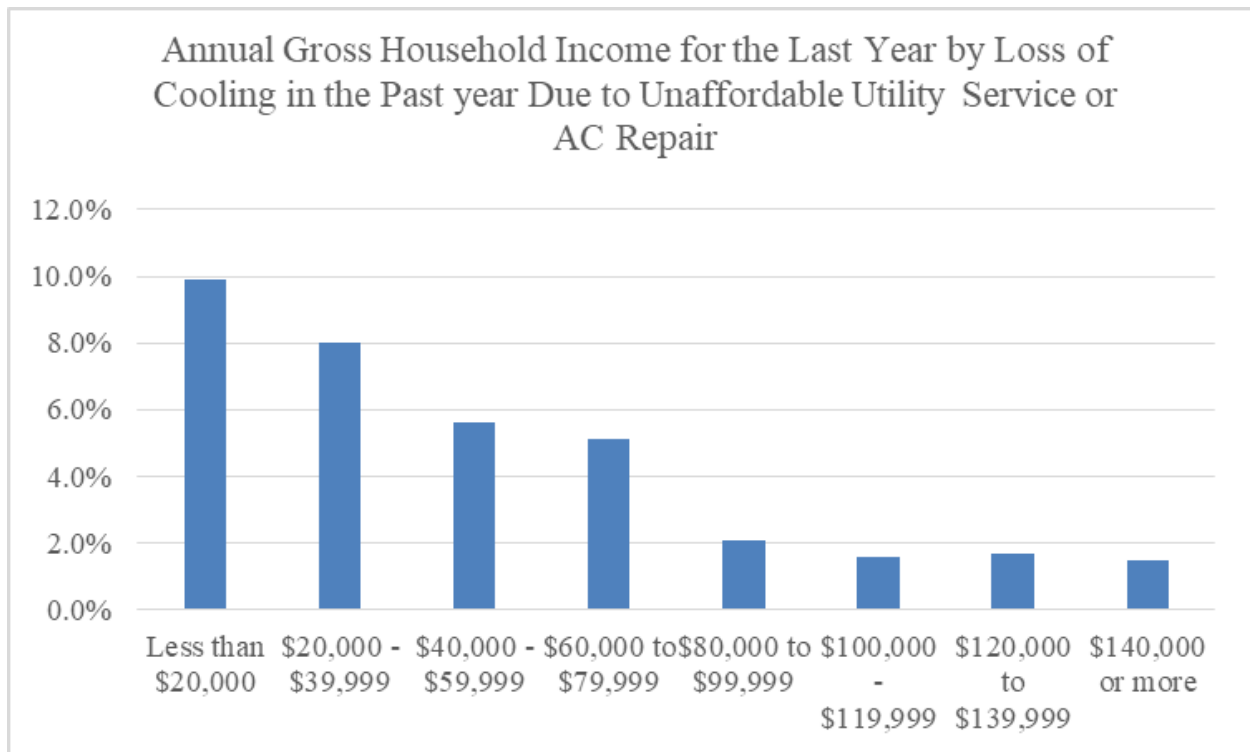
territory with the highest 2017 - 2019 disconnections ratios. The baseline disconnections ratio should be calculated by totaling residential disconnections over the three-year period and dividing by the number of residential customers in the zip code. Zip codes with fewer than 50 residential customers should not be included in the identification process.

Q. WHY DO YOU BELIEVE YOUR PROPOSED DISCONNECTION REDUCTION METRIC ACHIEVES THE GOALS OUTLINED IN THE PREVIOUSLY DISCUSSED STATUTORY PROVISIONS RELATED TO AFFORDABILITY?

A. As illustrated below, loss of essential home energy and utility services has been shown to be concentrated among lower income households.⁴⁵



⁴⁵ U.S Department of Energy/Energy Information Administration 2015 Residential Energy Consumption Survey Microdata cross-tabulated by National Consumer Law Center.



The concepts of household income, affordability, and access are linked. Keeping customers connected to the utility network is a critical indicator of the extent to which utility service is affordable. In order to achieve the goals outlined in the CEJA statute, the Company needs to do more than simply establish a metric. As outlined below, there are actions that are within the utility's control that Ameren should take to enhance affordability goals and reduce disconnections.

Q. DO YOU HAVE RECOMMENDATIONS AS TO WHICH ACTIONS THAT ARE WITHIN THE CONTROL OF THE COMPANY THAT AMEREN SHOULD TAKE IMMEDIATELY TO ACHIEVE THE GOALS OF YOUR PROPOSED AFFORDABILITY METRIC?

1 A. Yes, I do.

2 Q. WHAT ARE THOSE RECOMMENDATIONS?

3 A. There are several actions that the Company can take beyond customer outreach that *are*
4 *within the specific control of Ameren* that will lead to fewer disconnections and improved
5 affordability for the statutorily identified customer groups. Those actions include:

- 6 • Revise its customer payment risk-ranking methodology that, in effect, punishes people for being
7 poor and keeps them trapped in a high-risk ranking, to ensure that "high-risk" customers are not
8 disconnected earlier than customers deemed low-risk;
9
- 10 • Lengthen, rather than shorten, the amount of time provided to financially struggling customers
11 (who may be ranked as higher risk for payment) before disconnection occurs so that they have an
12 opportunity to apply for LIHEAP or PIPP assistance, gather the necessary documentation to
13 prove eligibility and await confirmation from their local community action agency that they
14 qualify for LIHEAP or PIPP, similar to the additional time that is provided to customers deemed
15 as having "acceptable" risk levels;
16
- 17 • Regularly revisit the arrearage trigger amounts that start the disconnection cycle and consider
18 increasing the disconnection trigger amounts to minimize the frequency of disconnections –
19 particularly in the zip codes that I've highlighted in my metric;
20
- 21 • Focus its attention on zip-code level credit and collections data that it files with the Commission
22 publicly each month to target outreach and connect with trusted community partners in areas with
23 high arrearages and disconnection rates to assist customers in connecting with energy assistance;
24
- 25 • Support the creation of discount rates in Ameren's service territory for both its gas and electric
26 customers, either before or as part of its multi-year PBR rate filing. The tiered discount tariff
27 would establish discounted rates by designated income tiers to customers who struggle each
28 month to afford essential utility service.⁴⁶ Section 9-241 of the Act requires the Commission to
29 conduct a comprehensive study on or before January 1, 2023 to determine whether discount rates
30 for electric and natural gas residential customers are appropriate and the potential design
31 and implementation of any such.⁴⁷

⁴⁶ NCLC would be pleased to work with Ameren in developing a tiered discount rate proposal that specifically addresses affordability for financially struggling customers within its service territory.

⁴⁷ Section 9-241 of the Act provides:

On or before January 1, 2023, the Commission shall conduct a comprehensive study to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design and implementation of any such rates. The Commission shall include its findings, together with the appropriate recommendations, in a report to be provided to the General Assembly. Upon completion of the study, the

- 1 ● Combine the discounted rate with an arrearage management program (“AMP”) that, like
2 Illinois’ Percentage of Income Payment Plan (“PIPP”) program, rewards on-time
3 payment of the reduced (discounted) bills with a debt forgiveness component of
4 outstanding arrearages over a 12-month period;
5
- 6 ● Continue and increase the Company’s admirable commitment and prioritization of energy
7 efficiency program dollars in low-income energy efficiency programs, and robust
8 weatherization programs in particular; and
9
- 10 ● Eliminate the Company’s current policy of collecting revenue for both electric and gas
11 customers such that if a customer is unable to afford their bill, and enter the
12 disconnection cycle, the customer loses connection to *both* electric and gas service.
13

14 These actions, which are within the control of the Company, will directly improve the
15 likelihood that (1) customers who find Ameren’s utility service unaffordable and who are most
16 frequently disconnected will see improved affordability and experience fewer disconnections,
17 and (2) that the COFI-proposed Affordability metric will be achieved.

18 Q. HAVE YOU CALCULATED THE COSTS AND BENEFITS OF YOUR PROPOSED
19 AFFORDABILITY METRICS?

Commission shall have the authority to permit or require electric and natural gas utilities to file a tariff establishing low-income discount rates.

Such study shall assess, at a minimum, the following:

- (1) customer eligibility requirements, including income-based eligibility and eligibility based on participation in or eligibility for certain public assistance programs;
- (2) appropriate rate structures, including consideration of tiered discounts for different income levels;
- (3) appropriate recovery mechanisms, including the consideration of volumetric charges and customer charges;
- (4) appropriate verification mechanisms;
- (5) measures to ensure customer confidentiality and data safeguards;
- (6) outreach and consumer education procedures; and
- (7) the impact that a low-income discount rate would have on the affordability of delivery service to low-income customers and customers overall.

The Commission shall adopt rules requiring utility companies to produce information, in the form of a mailing, and other approved methods of distribution, to its consumers, to inform the consumers of available rebates, discounts, credits, and other cost-saving mechanisms that can help them lower their monthly utility bills, and send out such information semi-annually, unless otherwise provided by this Article.

1 A. No, I have not. First, I should note it is difficult for advocates outside of the Company to
2 compare the costs and benefits of altering credit and collections policies that are needed to
3 achieve the Affordability metric I recommend. I would also note that in my experience, utilities
4 typically push back on advocates' recommendations to alter credit and collection practices with
5 two responses: (1) that any changes that introduce more flexibility in customer payment
6 practices will require new coding in their IT systems and retraining for customer service
7 representatives, typically without a specific quantification of the cost involved; and (2) that
8 adjusting disconnection policies to increase arrearage trigger amounts will increase
9 uncollectibles (bad debt), thereby increasing costs to all customers. In that regard, utilities are not
10 acknowledging several important societal costs that are incurred when customers are
11 disconnected from essential utility services and the customer and societal benefits that exist
12 when customers remain connected to essential utility services.

13 First, when customers are disconnected from essential utility services, a home becomes
14 uninhabitable. A disconnected customer loses access to heat (even gas-heated homes require an
15 electric starter), cooling, cooking, lighting, internet, telephone service and use of any appliances.

16 Utility disconnections also threaten housing stability for many, especially extremely low-
17 income tenants. Tenants whose rent is subsidized by the Housing Choice Voucher ("HCV")
18 Program (a.k.a. "Section 8") and other housing subsidies are often responsible for ensuring
19 continuous utility service in their residences, and can face termination of their housing assistance
20 when they are disconnected.⁴⁸ Also, in many private market leases, tenants are responsible for

⁴⁸ See e.g., Chicago Housing Authority, Housing Choice Voucher Program, Admin. Plan (eff. Feb. 1, 2020), § 12-1.D, ¶ 16. See 24 C.F.R. §§ 982.404(b)(1)(i), (b)(3). 17. Likewise, tenants living in Rental Assistance

1 utilities and failure to maintain utility service can be considered a breach of the lease and
2 grounds for terminating the tenancy and filing an eviction action in court.

3 Some of the utility system, societal, and participant benefits of ensuring that customers
4 have affordable utility service such that they can retain uninterrupted access to essential utility
5 service include:

6 **Utility system payment benefits** – (1) increased contributions to fixed costs; (2)
7 reduced costs for (a) arrearages, (b) uncollectibles; (c) collection costs; (d)
8 termination and reconnection costs; (e) negotiation and administration of payment
9 plans; and (f) regulatory costs.

10 **Societal benefits** – (1) reduced medical costs; (2) reduced fire and public safety
11 costs; (3) incremental economic development; and (4) reduced need for homeless
12 shelters and related public services.

13 **Participant benefits** – (1) reduced home energy burden; (2) reduced
14 disconnections; (3) enhanced cash flow; (4) improved health and safety; (5)
15 homelessness prevention; (6) reduced need to forego other necessities; (7) reduced
16 broadband interruption; and (8) reduced educational harms.

17 Q. WHAT DOES THE ACT STATE ABOUT QUANTIFYING COSTS AND BENEFITS
18 OF PROPOSED PBR METRICS?

19 A. Section 16-108.18(e)(2)(F), provides that the consideration of the following factors “shall
20 result in an incentive level that ensures benefits exceed costs for customers”:

Demonstration (RAD) Properties – another type of housing subsidy – “must obtain and maintain utility connections throughout tenancy. . . . Failure to maintain the utility connection is a serious violation of the lease, subject to lease termination.” CHA, HCVP, Admin. Plan, § 18-IV.Q(2)(a). Some public housing authorities are able to monitor the status of tenants’ utility connections. For instance, under its RAD policies, the CHA requires that “[w]hen a resident applies for utility service, the resident must sign a third-party notification agreement so that the CHA is notified . . . if the utility service will be disconnected.” Id. at § (2)(c).

- 1 ● the extent to which the amount is likely to encourage the utility to achieve the
- 2 performance target in the least cost manner;
- 3 ● the value of benefits to customers, the grid, public health and safety, and the environment
- 4 from achievement of the performance target, including in particular benefits to equity
- 5 investment eligible community;
- 6 ● the affordability of customer's electric bills, including low-income customers,
- 7 ● the utility's revenue requirement,
- 8 ● the promotion of renewable and distributed energy, and
- 9 ● other such factors that the Commission deems appropriate.

10
11 In addition, Section 16-108.18(e)(2)(F) provides that “(f)or the purpose of determining
12 reasonable performance metrics and related incentives, the Commission shall develop a
13 methodology to calculate net benefits that includes customer and societal costs and benefits and
14 quantifies the effect on delivery rates.” Both of these statutory passages emphasize the
15 importance of recognizing the benefits that flow to both low-income customers and society in
16 general. The above-referenced costs and benefits of reducing the number of customers
17 disconnected from essential utility service should be incorporated in any Commission analysis of
18 the Affordability metric.

19 Q. WILL THE COMPANY’S PERFORMANCE OF YOUR PROPOSED METRIC BE
20 TRANSPARENT AND PUBLICLY AVAILABLE?

21 A. Yes, it will. The Staff Report following the PBR workshops provided that PIMs should
22 increase transparency and the availability and reporting of utility and energy operating and cost
23 information. Further, it noted that metrics and outcomes should be available to the public in an
24 understandable format, clearly defined, measurable, and unambiguous. Staff Report at 31. How
25 well or poorly the Company is able to achieve my proposed metric, reducing disconnection
26 numbers, will be reported monthly on the Commission’s website as the Company files its

monthly credit and collection data by zip code, as required by statute.⁴⁹ In this regard, the metric is transparent and available to the public, unlike the Company's proposed "touchpoint" metric.

Assessing the Point-Value of an Affordability Metric

Q. WHAT GUIDANCE DOES THE ACT PROVIDE FOR PURPOSES OF ASSIGNING A BASIS POINT VALUE TO EACH METRIC?

A. In determining the appropriate level of a performance incentive, the Commission shall consider the following factors, which consideration shall result in an incentive level that ensures benefits exceed costs for customers:

- the extent to which the amount is likely to encourage the utility to achieve the performance target in the least cost manner;
- the value of benefits to customers, the grid, public health and safety, and the environment from achievement of the performance target, including in particular benefits to equity investment eligible community;
- the affordability of customers' electric bills, including low-income customers, the utility's revenue requirement, the promotion of renewable and distributed energy; and
- other such factors that the Commission deems appropriate.⁵⁰

As noted earlier in my testimony, the 40 basis points total may be adjusted upward or downward by the Commission by, at most, 20 basis points, for any given multi-year rate plan.

Increases or enhancements to an existing performance goal or target must be considered in light of other metrics, cost-effectiveness, and other factors the Commission deems appropriate.

⁴⁹220 ILCS 5/8-201.10

⁵⁰ 220 ILCS 5/16-108.18(e)(2)(F).

1 Q. HOW MANY RETURN ON EQUITY (“ROE”) BASIS POINTS DOES AMEREN
2 PROPOSE BE ASSIGNED TO ITS PROPOSED AFFORDABILITY PIM?

3 A. Ameren witness Simms proposes that the Commission approve a value of four basis
4 points out of a total of 40 proposed PBR metric points among a total of eight metrics.

5 Q. IS AMEREN’S ASSIGNMENT OF FOUR RETURN ON EQUITY (“ROE”) BASIS
6 POINTS SUFFICIENT TO INCENTIVIZE BEHAVIOR THAT WILL IMPROVE
7 AFFORDABILITY FOR LOWER-INCOME, ENVIRONMENTAL JUSTICE AND EQUITY
8 INVESTMENT-ELIGIBLE COMMUNITIES?

9 A. The answer to that question requires analyzing whether the dollar value assigned to the
10 Affordability metric is significant enough to alter or incite change within the Company’s rate and
11 credit and collection practices to produce measurable reductions in disconnections among the
12 residential populations living in zip codes with high disconnection rates. Looking at the
13 Company’s total revenues requirement of \$1,010,482,945 (from the 2021 formula rate revenues
14 requirement), as provided in Ameren Exhibit 4.2, and understanding that Ameren calculates that
15 each ROE metric point is approximately worth \$262,255, a four-basis-point metric would adjust
16 the Company’s revenue by a total of \$1,049,020 upwards or downwards. That amount represents
17 about 1 percent of the Company’s total revenue requirement. In my view, given the General
18 Assembly’s emphasis on affordability of rates, and in particular for low income customers, as
19 well as the essential nature of utility service, a higher point value is appropriate to incite change
20 in the Company’s rate and credit and collection procedures to achieve the goals of an
21 Affordability metric.

1 Q. WHY DO YOU BELIEVE THE AFFORDABILITY METRIC SHOULD BE
2 AWARDED MORE POINTS THAN WHAT AMEREN HAS PROPOSED?

3 A. In order to answer that question, it is important to make a few observations about how all
4 of the incentive/penalty points should be analyzed by the Commission. First, I would note that
5 three of the metrics, in my view, should not be assigned any ROE point values because the
6 Company already has incentives to invest in the infrastructure needed to achieve the stated goals.
7 Specifically, I am referring to metrics 1 (Improve System Average Interruption Duration Index
8 (SAIDI) (IEEE Standard 1366) for customers systemwide and particularly in environmental
9 justice and equity investment eligible communities); 7 (Enhance ability to effectively and
10 efficiently achieve current and anticipated future energy needs by serving more customers on
11 circuits with self-healing distribution automation schemes); and 8 (Strengthen grid performance
12 for all customers through targeted hardening of sub-transmission circuits). Each of these
13 metrics, in order to be achieved, requires investment in electric infrastructure to achieve the
14 improved performance metrics described in the statute. Stated another way, a utility under rate of
15 return regulation already has an incentive to pour additional financial resources into
16 infrastructure investments that increase its rate base, since the return on investment that a utility
17 received is multiplied by its rate base as a part of establishing its revenue requirement. That is
18 true now under the current Section 16-108.5 formula ratemaking environment and will be true
19 under the four-year performance-based ratemaking structure that will begin in 2024.

20 Q. ARE THERE OTHER REASONS YOU BELIEVE IT IS IMPORTANT TO PROVIDE
21 A MORE SIGNIFICANT POINT VALUE TO THE AFFORDABILITY METRIC?

1 A. Right now, Ameren enjoys the revenue protection of the Rider EUA and Rider GUA –
2 the Electric Uncollectible Adjustment and Gas Uncollectible Adjustment tariffs – to recover its
3 bad debt. Under these tariffed riders, the Company is able to collect through monthly
4 adjustments to the customer charge and kwh and per therm charges any shortfalls in bad debt
5 costs that are not already recovered in Ameren’s electric and gas rates.⁵¹ Accordingly, the
6 Company currently lacks a clear financial incentive to ensure affordability of rates for all of its
7 customers – and in particular the low-income customers who struggle each month to afford
8 essential utility services. In this regard, a performance metric that provides the Company a
9 financial incentive to ensure affordability for all of its customers, including those who frequently
10 and most often face disconnection from essential utility services, makes sense under a
11 performance-based ratemaking scheme that is trying to incent actions that may not traditionally
12 improve the utility’s net income.

⁵¹ Rider UEA, for example, works as follows, according to the tariff filed with the Commission:

The purpose of this Rider is to provide for monthly adjustments to customer bills for any over-or under recoveries of the Company’s actual uncollectible expense amounts for a reporting year for each Rate Zone through the 2014 reporting year. Beginning with the 2015 reporting year uncollectible expense amounts will be determined on a total Company basis. Such adjustments are based on the incremental difference between actual uncollectible expense and the sum of (1) Commission-approved uncollectible amount included in the utility’s rates that were in effect for the reporting year, as further defined by the formulas herein, and (2) the uncollectible amount recovered pursuant to the Commission authorized uncollectible factor included in rates for power supply service charges of Company. Rider EUA operates pursuant to 220 ILCS 5/16-111.8. authorized pursuant to Docket No. 20-0309. *See* Ill. C. C. No. 1 4th Revised Sheet No. 45 Canceling 3rd Revised Sheet No. 45); <https://www.ameren.com/-/media/rates/files/illinois/aie145rdeua.ashx>

Rider GUA (Gas Uncollectible Adjustment) operates similarly. *See* Ill. C. C. No. 2, 4th Revised Sheet No. 42 (Canceling 2nd Revised Sheet No. 42); <https://www.ameren.com/-/media/rates/files/illinois/aigs42rdgua.ashx>

1 Q. WHAT ROE POINT VALUE DO YOU BELIEVE IS APPROPRIATE TO INCENT
2 THE COMPANY TO ADDRESS THE AFFORDABILITY GAPS THAT CLEARLY EXIST
3 FOR LOW-INCOME CUSTOMERS IN THE AREAS IN ITS SERVICE TERRITORY WITH
4 HIGH DISCONNECTION RATES?

5 A. At a minimum, I believe a doubling of Ameren's proposed four-point proposed
6 Affordability metric is necessary to incite exceptional performance relative to an Affordability
7 metric. With my proposed exclusion of metrics 1, 7 and 8 from the assignment of any ROE
8 points, a total of five metrics remain to be divided among the 40 ROE basis points Ameren is
9 proposing. The eight points I am proposing represents one-fifth ($\frac{1}{5}$) of the total points assigned
10 to the five metrics that would receive incentive points. I reserve the right to adjust this
11 recommendation in my Rebuttal testimony after reviewing other proposals for PBR metric values
12 proposed by other stakeholders and Staff.

13 **Summary of Conclusions**

14

15 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

16 A. The General Assembly has made clear in several provisions in the Clean Energy Jobs Act
17 ("CEJA") that affordability for low-income customers and a reduction in disconnections through
18 revisions in credit and collections policies is a critical component to establishing equitable utility
19 service that truly benefits all customers. Ameren's proposed affordability metric that tracks the
20 number of customer touchpoints over a four-year period fails to achieve these clear goals
21 outlined in the Act. In assessing the current affordability of Ameren's rates and its current credit

1 and collections practices, I conclude that certain policies, including its customer credit-risk-
2 ranking policy and the Company's acceleration of disconnections for customers deemed high-
3 risk as compared to "acceptable" risk customers, lead to clear inequities in the rates of
4 disconnections. I propose a new Affordability metric for Commission adoption that better
5 encapsulates the goals listed in Section 16-108.18(c) and 16-108.18(e)(A)(iv) than Ameren's
6 proposal, and specifically addresses the statutory direction to reduce disconnections for low-
7 income households and to ensure equity in credit and collection practices. I recommend that the
8 Commission direct the Company to develop and adopt an Affordability performance metric
9 based on a ten percent annual reduction over a four-year period in residential disconnections for
10 non-payment in the 20 zip codes in its service territory with the highest 2017 - 2019
11 disconnections ratios. Finally, I conclude that Ameren's proposal to assign only 4 points out of a
12 total of 40 proposed points to the Affordability metric is insufficient to incentivize affordability
13 goals and recommend that the point value be doubled to 8 points.

14 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

15 A. Yes, it does.